GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1737
ANSWERED ON:12.12.2003
CREDIT/DEBIT CARD
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Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has taken cognizance of the menace andharassment caused by banks foisting credit/debit cards on unsuspecting customers and extracting payments later;

(b) whether such cards are being offered free initially but later renewal/service charges are being debited to customers` accounts without their prior consent and knowledge; and

(c) if so, the steps being taken by RBI to curb such unscrupulous practices induldged into by banks particularly private banks ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

(a) & (b):- Reserve Bank of India (RBI) have reported thatin the case of credit/debit cards, the relation between the bank and the cardholder is contractual. In order to promote credit/debit cards, many banks waive the joining fee (normally issued free) in the first year and charge annual fee, renewal fee, service charges, etc. for the subsequent years as per the contractual terms and conditions specified by these banks. In the case of credit cards, the question of debiting the accounts does not arise as the card holders need not necessarily be account holders of the bank.

(c) :- Banks have been advised by RBI to clearly spell out fees/charges (membership, renewal, service charges, penal charges etc.) to the cardholder at the time of their applying for credit cards. In particular, banks are required to bring to the notice of the cardholder the rates of interest to be charged in case of delays and default in payments, besides the membership/renewal fees.

In the case of debit cards, RBI have advised banks that each bank should make available to the cardholders in writinga set of contractual terms and conditions governing the issue and use of such a card. The customer availing of the credit/debit card is expected to go through the terms and conditions before accepting the card.